



Sustainability governance toolkit

An eight-step toolkit for sustainability governance
and oversight for accounting professionals

In partnership with the Metis Institute and the University of Dundee



About the toolkit

This toolkit is an eight-step guide for accounting professionals who hold or support sustainability governance responsibilities, and for the boards, governing bodies and committees they advise. It helps you assess where sustainability governance is working, identify gaps, and decide the practical steps needed to close them.

What the toolkit can and can't do

This toolkit can be used by any organisation, whether sustainability governance is well-established, at an early stage, or not yet in place. It doesn't replace the need for professional judgement, as what works will depend on factors like the organisation's sector, size, ownership, regulatory requirements and current arrangements.

Key definitions

Corporate governance

This encompasses board leadership, division of responsibilities, board composition, risk and internal controls, and executive remuneration. Broader governance extends to organisational ethos, decision-making time, stakeholder relationships, and the policies, processes, and structures used to oversee sustainability matters.

Governance

The system of rules, practices, and processes through which an organisation is directed and controlled.

Sustainability

The ability to maintain an organisation's activities continuously over time, ensuring a prosperous future for both people and planet. This includes the management of risks and opportunities, responsible business culture, and ESG factors across strategy and operations.

Sustainability governance

A working definition derived from the research underpinning this toolkit: the arrangements, formal and informal, through which an organisation exercises oversight and takes decisions in relation to its sustainability-related risks, opportunities, impacts, and obligations.

For full technical definitions, check the [ICAS glossary of sustainability terms](#).

The research behind the toolkit

The toolkit is grounded in original evidence-based research: 24 interviews conducted across 2025 and 2026 with directors, chief sustainability officers, regulators, advisers, and academics across the UK, Europe, and Asia-Pacific.

Three main themes emerged from the research:

- **Board-level skills gaps are common and often go unrecognised.** Formal oversight may be in place, but boards don't always feel confident using it. They may lack the knowledge, information or time needed to provide effective oversight.
- **Formal sustainability governance is often separate from the main risk and decision-making processes.** Organisations may appear to have the right structures in place but key sustainability decisions are made elsewhere.
- **Metrics and targets quality is often inconsistent.** Many organisations do not fully understand the difference between reporting past performance and using metrics to inform decisions.

These findings are based on patterns observed in the interviews rather than a statistically representative survey.



How to use the toolkit

Structure

Each step includes a short research-based summary, a practical checklist and useful resources. Use the checklist at the end of each step to note any potential actions needed or why no action is required.

Order

The steps support each other but don't have to be followed in order. Start with the steps that matter most for your organisation. The checklists provide a quick way to identify which steps need attention.

How to run it

The toolkit is designed for use at board, audit committee, or relevant governing body level, or by those preparing material for such discussion. It can be used by organisations of any size and maturity. In some cases, no action will be needed.

Iterative use

Sustainability risks, regulatory requirements and organisational priorities change over time. Step 8 builds in review, so the toolkit should be revisited rather than used as a one-off exercise.

Jurisdictional context

While the toolkit focuses on the UK, it also draws on perspectives from Europe and Asia-Pacific. Regulatory requirements, including the adoption of UK Sustainability Reporting Standards (UK SRS), are still changing. Check that you are following the latest requirements for your organisation.



Clarify what sustainability governance means in your organisation

Many organisations in the research lacked a shared understanding of sustainability governance. This matters because it affects how decisions are made, where accountability sits and what information is considered relevant to oversight.

A useful starting point is to ask: what kind of governance problem does sustainability create for us? Without this clarity, structures, metrics and processes can develop reactively rather than by design.

The research also found that sustainability governance doesn't work well when it's primarily treated as a reporting or data issue. When seen this way the systems put in place may overlook uncertainty and may not provide decision-useful information.

Those with governance responsibility should agree what sustainability governance means for their organisation and how responsibility should be structured. This could be through a dedicated board committee or by integrating responsibility across existing committees or executive functions. Neither approach is inherently preferable, arrangements should align with and build on existing governance, rather than treating sustainability as a separate issue.

Where this agreement hasn't yet been formally documented, a practical first step is to establish a board-level sustainability policy setting out the organisation's purpose, scope, and allocation of sustainability responsibilities.

Checklist item	✓	Potential action
Has the board or governing body clearly agreed what sustainability governance should achieve in this organisation, beyond meeting reporting requirements?		Prepare a short paper at the next board or governing body meeting setting out the options (compliance, risk, commercial value, strategic integration) and ask for a formal decision to be recorded.
Is there a named person or group clearly accountable for sustainability governance, set out terms of reference or similar documents?		Assign clear accountability to an existing role or body and update the relevant governance documents.
Does the current governance structure reflect a deliberate choice, aligned to and integrated with existing governance arrangements?		Review whether the current arrangement was designed or accumulated by default and confirm or adjust it at the next governance review.

This PDF is interactive. You can check off items directly on screen.

Where sustainability decisions are made in practice

The research found a common pattern across organisations. Formal governance structures for sustainability don't always reflect where key decisions happen in practice. Important decisions are often taken by procurement, finance, investor relations, or operations, which frequently sit outside these formal structures.

Try tracing a recent sustainability-related decision in your organisation, such as a disclosure commitment, a supplier policy, a climate target, or an investment, and map how it was actually made. Who initiated it? Who provided the information? Who had authority to approve it? Who is accountable for the outcome? In many organisations this can look quite different from the formal governance chart.

The aim isn't to create more processes. It's to understand how decisions are really made so you can assess whether accountability is clear, important sustainability decisions are properly escalated, and existing delegation schemes cover sustainability.

Checklist item	✓	Potential action
Has the organisation mapped where important sustainability decisions are actually made and does this match the formal governance structure and delegation of authority?		Take one recent sustainability-related decision from start to finish and compare this against the formal governance chart.
Are there clear and documented escalation routes for key sustainability decisions and are they understood by those with operational or executive responsibility?		Identify the types of sustainability decisions most likely to have significant impact and set clear escalation thresholds for each.
Do relevant committees or boards get the information they need to check whether sustainability decisions taken are consistent with agreed strategy and risk appetite?		Check the sustainability information going to the board or committee to make sure it covers operational decisions, not only performance reports.

Assess whether the organisation is equipped to govern sustainability

Interviewees often said that organisations tended to overestimate the strength of their governance by focusing on structures like committees, policy documents, and appointed leads, while underestimating practical barriers to effective oversight. A better test is whether people can understand, challenge and support decisions effectively.

Assess what the current governance arrangements can and can't deliver across key sustainability topics such as climate, nature, social, or other issues. This should help to identify which boards and committees lack the knowledge or information needed to provide effective scrutiny and oversight, and what needs to change to address those gaps. This could include improving information flows, updating terms of reference, or changing committee membership.

The right timeframe for sustainability governance depends on the sector. Organisations in areas like energy, infrastructure, and real estate already plan over many decades. Other sectors may need to adjust their oversight and decision-making to better cover longer-term sustainability risks.

Checklist item	✓	Potential action
Have governance bodies reviewed their ability to challenge key sustainability information and identified where they need more knowledge (such as climate, nature, and social risks)?		Carry out a short self-assessment against the key sustainability topics relevant to your organisation. Chapter Zero's Directors' Climate Journey offers a useful starting point.
Is key sustainability information provided in a clear, useful format and often enough for effective scrutiny?		Check how sustainability information is presented and how often it is reported to boards and committees. Where information is received passively or just noted, change meeting agendas to allow proper discussion and challenge.
Has the organisation reviewed its governance arrangements within the last twelve months to make sure they remain fit for purpose?		Set a regular agenda item for annual governance review. For smaller organisations, a short, structured discussion at a board or governing body meeting may be sufficient.

Stabilise metrics and targets before relying on them

The research found that weak or poorly set targets were common. Targets were often set without enough supporting data, industry benchmarks or science-based standards, and without a clear baseline to measure progress.

One interviewee who had served as Chief Sustainability Officer at a UK conglomerate said targets were agreed when the available data was not “granular enough to understand what they should be measuring or what a good improvement would look like year on year”. They described the broader picture as “a lot of ‘performative’ sustainability” (ex-Chief Sustainability Officer, UK conglomerate).

Interviews found that boards and committees weren’t always able to challenge the targets being set. In some cases, the information they received didn’t clarify which metrics were reliable for decision-making and which were based on highly uncertain estimates. For example, emissions data was sometimes reported consistently, even when the underlying data wasn’t strong enough to support target-setting or performance tracking, particularly where Scope 3 data (greenhouse gas emissions from the supply chain) relied on supplier estimates or sector averages. Interviewees suggested that those receiving the information were not always aware of these limitations.

The growing use of automated and AI tools to collect and process sustainability data makes this point more important. One interviewee argued that routine automation can improve consistency, but when generative AI is used to produce or summarise sustainability information, boards and committees need to understand how it was created and ensure it’s properly checked before being used in decision-making.

Checklist item	✓	Potential action
Are sustainability targets based on a clear reference point, (such as a science-based pathway, industry benchmark, or internal baseline), and is this documented and understood by relevant oversight bodies?		Identify any targets which don’t have a clearly documented reference point and carry out a short internal review. For smaller organisations, published industry benchmarks can be a practical starting point.
Do oversight bodies understand the level of estimation in key sustainability data, and is this clearly communicated when decisions are made?		Make sure that all sustainability data shared with governance bodies includes a brief note on data quality and key estimation assumptions for each metric.
Are sustainability metrics and targets reviewed often enough to allow corrective action to be taken?		Add sustainability metrics as a standing item on the audit committee or risk committee agenda, reviewing them as often as other key performance indicators.

Include sustainability in existing risk and decision processes

One of the most common issues identified wasn't a lack of sustainability oversight, but the fact that it was often separate from the main risk and decision processes.

While sustainability activity was discussed in dedicated committees, strategies, and targets, key decisions such as investment, procurement and operational trade-offs were often made through separate processes that didn't consistently take sustainability into account.

Across the interviews, organisations that successfully integrated sustainability tended to involve finance teams at an early stage when assessing risks. Where finance teams were engaged from the start, sustainability risks were more likely to be assessed using established financial approaches, expectations for data collection and quality were set earlier, and coordination and integration across teams worked better.

Most organisations already have systems to manage risks, make investment decisions, and report performance with clear roles for who is responsible. The key question is: are important sustainability risks and opportunities being included and assessed within those existing processes.

One interviewee with regulatory experience observed that a risk committee can only provide meaningful oversight if its members understand and can challenge sustainability matters and that a board can "totally miss the important points" (Independent director and former regulator, Singapore).

Consultants working with a range of organisations noted that companies are reasonably good at including sustainability in risk registers. However, they are less effective at using that risk analysis to inform real business decisions, such as where to invest money or how to allocate capital.

Checklist item	✓	Potential action
Are your most important sustainability risks included in your risk register and treated the same as other major risks with proper assessment, escalation, and oversight processes?		Review the risk register against the organisation's key sustainability topics and add any missing risks. For smaller organisations, this might be able to be incorporated into an existing risk log without a separate process.
Are sustainability considerations built into normal investment and capital allocation decisions, rather than assessed through a separate process?		Include sustainability as a standard part of investment appraisals. If no formal appraisal process exists, make sure that sustainability impacts are considered and recorded before significant resources are committed.
Do relevant oversight bodies (eg audit committee, risk committee or equivalent) have clear responsibility for overseeing sustainability risks and is this set out in their terms of reference?		Update committee terms of reference to clearly include responsibility for overseeing sustainability risks. If there's no audit or risk committee, assign this responsibility to the board or governing body and document this.

Stress-test governance across regulatory and geographic differences

People we interviewed said that organisations working across multiple jurisdictions often design their governance around the regulation in their home market. As a result, they may not have a clear view of whether sustainability commitments, reporting, or financing arrangements developed elsewhere were aligned with those arrangements.

Interviewees working across capital markets highlighted that regulatory requirements are evolving rapidly across major markets. Consequently, governance arrangements designed around current obligations may be out of date within two to three years. Organisations with more robust governance actively monitor emerging regulatory changes across key jurisdictions and incorporate these insights into decision-making before they become formal compliance obligations.

For organisations with decentralised structures, interviewees noted that sustainability decisions made at subsidiary or regional level weren't consistently visible to group-level governance processes. Outdated delegation frameworks meant that significant sustainability decisions, including those with implications for group-level disclosures, could be made without appropriate escalation or oversight at the relevant level.

Case example: Sustainable finance across divergent taxonomies

You work in a major UK bank that operates in the UK, the EU, and several Asia-Pacific markets. Its everyday governance question is not whether sustainability matters, but whether a given instrument qualifies as sustainable in the jurisdiction where it is assessed: a deal that meets the EU taxonomy may fail an Asia-Pacific green-finance framework, and the reverse also holds. The bank now runs parallel assessments for cross-border deals and documents, at governance level, which standard applies and why. Deciding which regime to align to where they conflict proved a board-level judgement, rather than a technical matter.

Checklist item	✓	Potential action
Has the organisation identified whether its sustainability governance meets the requirements of all the different regulations it is subject to, and ensured that there are no gaps or conflicts?		Map the organisation's key operating jurisdictions and the sustainability disclosure obligations that apply in each to identify overlaps, gaps and potential conflicts in each.
Does the organisation monitor future sustainability regulatory developments across its key markets, and is this regularly reviewed by senior leaders and relevant oversight bodies?		Assign a specific individual responsibility for maintaining a regulatory horizon scan and report regularly to governance bodies. Smaller organisations can use existing resources, such as ICAS updates and the IFRS Foundation jurisdictional guide as a practical starting point.
Where sustainability decisions are taken at a subsidiary, regional, or functional level, is it clear who has the authority to make those decisions, who is accountable for them, and when issues need to be escalated to senior management or the board?		Add sustainability responsibilities and related decision-making authority to existing delegation arrangements. This action isn't required for single-entity organisations where all material decisions are taken at the same governance level.

Useful resources for each step can be accessed using the useful resources tab

Examine incentives, culture and behavioural signals

Interviewees reported that sustainability commitments were often pushed down the priority list when organisations face short-term financial or operational pressures. Governance arrangements that did not recognise this risk were less likely to deliver consistent oversight. This was most noticeable in decisions about resources and in the agenda items that were delayed or dropped when time was short.

The research found that sustainability metrics were most effective when they were managed in the same way as other performance measures included in executive and senior management reviews. This meant giving them clear importance alongside other objectives, defined expectations for performance and applying consequences consistently when targets weren't met. Where sustainability metrics were treated separately from the main performance management approach, they were less likely to create meaningful accountability.

Several interviewees highlighted that governance structures had limited impact where sustainability was not perceived as commercially or strategically important by those making operational decisions. In these cases, decisions about resources, procurement, and operational priorities consistently reflected that perception. The interviewees also identified internal audit as an underused tool for strengthening accountability. One interviewee from a major UK bank explained that greater scrutiny of its sustainable lending practices was prompted not by the sustainability team but by an internal audit question which asked: "how are you robustly monitoring the activity?" (Head of sustainable finance, major UK commercial bank).

Checklist item	✓	Potential action
Are sustainability metrics in executive and senior management performance reviews designed and assessed in the same way as other performance measures, with clear weightings, performance expectations and defined consequences for not meeting agreed targets?		Review any sustainability metrics used in performance reviews. Check that they carry meaningful weight, have clear performance expectations and include consequences for missing targets. If a metric has little influence on overall performance, either strengthen its role or remove it.
Has internal audit been asked to test whether sustainability commitments are reflected in real organisational decisions and behaviours, including resource allocation, rather than only in policies and reporting?		Include a review of sustainability-related decision-making in the next internal audit cycle. This should assess whether sustainability commitments are reflected in areas such as allocating resources, procurement and operational decisions. Where there is no dedicated internal audit function, commission an independent external review or assign the assessment to a senior individual who is independent of the sustainability function.
Does the organisation have a way of identifying where sustainability considerations are being consistently deprioritised because of operational or financial pressures, and ensuring that this is reported to the appropriate board or oversight body?		Put in place a process for reporting cases where sustainability considerations are repeatedly overridden. Review these cases regularly at board or committee level to identify patterns and agree any necessary action.

Build an ongoing review cycle into governance

Interviewees reported that organisations often established sustainability governance arrangements but did not review them regularly. Over time, those arrangements had drifted from actual practice. Regulatory requirements had changed, material risks had shifted, and initial engagement with sustainability governance had in several cases been treated as sufficient.

One interviewee characterised the pattern as organisations that “talk, we talk, we talk” and then “take a year or two and that’s it” (Academic and regulatory advisor in sustainability governance, France/Europe). Some organisations only revisited them when external events forced them to do so, rather than through a planned review process.

Interviewees identified leadership changes as a particular risk to effective sustainability governance. Where sustainability governance had been driven by a particular individual at executive or committee level, their departure often led to a loss of institutional knowledge, continuity and momentum, reducing the attention given to sustainability oversight.

Interviewees noted that governance arrangements were more resilient when sustainability responsibilities were built into or integrated into existing committees, terms of reference, and reporting frameworks. These arrangements were less dependent on individual commitment and so better able to withstand leadership changes.

A full review of all governance arrangements every year may not be practical for most organisations. Instead, define a set of trigger conditions, such as regulatory changes, a significant shift in risk, major transactions, or key leadership changes, and use these to prompt a review. When one or more triggers occur, assess whether current governance arrangements remain fit for purpose and carry out a more detailed review when needed.

Useful resources for each step can be accessed using the useful resources tab

Checklist item	✓	Potential action
Has the organisation identified a set of specific events that trigger a review of its sustainability governance arrangements, and was this assessed within the past twelve months?		Define a short list of specific events or conditions that would trigger a review, (such as regulatory change, leadership transition, major acquisition, significant shift in risk profile) and record these in governance documentation.
Are sustainability governance responsibilities clearly built into committee terms of reference, schemes of delegation, and reporting processes in a manner that is resilient to leadership change?		Review committee terms of reference and reporting frameworks to ensure sustainability responsibilities are clearly documented and assigned to governance bodies rather than individuals.
Where a substantive review has been carried out, have the findings been documented and responsibility or accountability for addressing any identified gaps assigned to a named individual, committee or governing body?		Carry out a review using the eight-step checklist as a framework. If a review has been completed but not documented, assign responsibility for summarising the findings and allocating actions to the appropriate individual, committee or governing body.

Case example: When the sustainability champion moves on

A UK-listed company in a high-emitting sector built strong sustainability governance under a CEO who made it a personal priority: a well-resourced committee chaired by a non-executive director with real expertise, executive remuneration linked to well-designed metrics, and substantive board discussion. The CEO then moved on, and the successor held different priorities. Within twelve months the committee’s remit had narrowed, the sustainability function had been consolidated and now reported at a lower level, and board agenda items had become briefer and more procedural. Disclosures continued, but the substance behind them had thinned.

Step 1

- **WBCSD: Board Director Resources: Purpose and Business Model**
<https://wbcsdpublications.org/board-director-resources/purpose-business-model/>
- **IFAC: Equipping Professional Accountants for Sustainability**
<https://www.ifac.org/knowledge-gateway/professional-accountancy-organization-pao-development/publications/equipping-professional-accountants-sustainability>
- **A4S: Essential Guide to Strategy and Business Model**
<https://www.accountingforsustainability.org/en/knowledge-hub/guides/About-A4S-Essential-Guide-Series.html>

Step 2

- **A4S: Essential Guide to Engaging the Board and Executive Management**
<https://www.accountingforsustainability.org/en/knowledge-hub/guides/About-A4S-Essential-Guide-Series.html>
- **Chapter Zero: Board Toolkit for NEDs**
<https://chapterzero.org.uk/governance-structure/board-evaluation-and-development/board-toolkit/>
- **IoD: Sustainable Business resources**
<https://www.iod.com/resources/sustainable-business/>

Step 3

- **Chapter Zero: Directors' Climate Journey: Knowledge Hub**
<https://www.chapterzero.org.uk/directors-climate-competence/>
- **World Economic Forum: Defining the 'G' in ESG**
https://www3.weforum.org/docs/WEF_Defining_the_G_in_ESG_2022.pdf
- **WBCSD: Board Director Resources: Purpose and Business Model**
<https://wbcsdpublications.org/board-director-resources/purpose-business-model/>

Step 4

- **ICAS: The conditions necessary for the reporting of high-quality sustainability information**
<https://www.icas.com/news-insights-events/news/sustainability/the-conditions-necessary-for-the-reporting-of-high-quality-sustainability-information>
- **IFRS Foundation: IFRS S1, General Requirements for Disclosure**
<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>
- **ICAS: Generative AI and Professional Judgement in Accounting**
<https://www.icas.com/regulation-technical-resources/technical-resources/sustainability>

Step 5

- **COSO / WBCSD: Applying Enterprise Risk Management to ESG-related Risks**
<https://www.wbcsd.org/resources/applying-enterprise-risk-management-to-environmental-social-and-governance-related-risks/>
- **A4S: Essential Guide to Enhancing Investor Engagement**
<https://www.accountingforsustainability.org/en/knowledge-hub/guides/About-A4S-Essential-Guide-Series.html>
- **FRC: Guidance on the Strategic Report**
<https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/annual-corporate-reporting/guidance-on-the-strategic-report/>

Step 6

- **IFRS Foundation: Jurisdictional Guide for adoption of ISSB Standards**
<https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdictional-guide/>
- **Chapter Zero: Navigating the Landscape of Climate Law and Regulation**
<https://chapterzero.org.uk/the-business-case/climate-policy-and-regulation/navigating-the-landscape-of-climate-law-and-regulation/>

Step 7

- **A4S: Essential Guide to Incentivising Action Along the Value Chain**
<https://www.accountingforsustainability.org/en/knowledge-hub/guides/incentivizing-action.html>
- **WBCSD: Board Director Resources: Compensation and Incentives**
<https://wbcsdpublications.org/board-director-resources/>
- **Chartered IIA: Guidance on internal audit's role in ESG**
<https://www.theiia.org/globalassets/site/content/articles/iia-white-paper--internal-audits-role-in-esg-reporting.pdf>

Step 8

- **FRC: UK Corporate Governance Code**
<https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/>
- **A4S: Essential Guide to Building a Sustainability Governance Framework**
<https://www.accountingforsustainability.org/en/knowledge-hub/guides/About-A4S-Essential-Guide-Series.html>
- **ICAS: Technical Resources on Sustainability**
<https://www.icas.com/regulation-technical-resources/technical-resources/sustainability>

How the three governance concepts relate

Governance

The system of rules, practices and processes through which an organisation is directed and controlled.

Corporate Governance

Board leadership, division of responsibilities, board composition, risk and internal controls, executive remuneration.

Sustainability governance

Arrangements, formal and informal, through which an organisation exercises oversight and takes decisions on sustainability-related risks, opportunities, impacts and obligations

What to do next

Where to begin

Most organisations will be at different stages of maturity across the eight steps. The most effective approach is to work through the checklists for all eight steps, identify the areas where performance is weakest and prioritise improvements.

Groups and subsidiaries

Organisations that are part of a wider group should clearly define where responsibility for sustainability governance sits. Some decisions may be taken at group level, others by the parent company, and others by individual subsidiaries. The checklists should be applied at the level that has decision-making authority to make the relevant decisions. Responsibilities should be clearly documented rather than assumed.

Smaller organisations and those without specialist functions

Many of the governance principles in this toolkit apply regardless of organisation size, but the way they are implemented will vary.

Smaller organisations may not have the dedicated sustainability teams or formal governance structures, so a proportionate approach is important. For these smaller organisations, ICAS technical sustainability resources and the IFAC Small and Medium Practices guidance can provide proportionate starting points.

Where no formal governance arrangements are in place, start with steps 1 and 2, agree the purpose of sustainability governance and identify where sustainability-related decisions are currently being made. These are practical first steps that can be taken and require no specialist resource.

Notes

Step 1

Step 2

Step 3

Step 4

Step 5

Step 6

Step 7

Step 8

Useful
resources

What to
do next

Notes

Notes

Please remember to save this document to retain your notes and completed checklists.



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